

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7443

BILL NUMBER: SB 373

NOTE PREPARED: Jan 24, 2007

BILL AMENDED:

SUBJECT: Health Security Program.

FIRST AUTHOR: Sen. Simpson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: Pending

Summary of Legislation: This bill establishes the Health Security Program within the State Department of Health. The bill provides for health coverage for eligible individuals.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Summary:* This bill establishes the Health Security Program (HSP) within the Indiana State Department of Health (ISDH) to provide health coverage to eligible employees, eligible individuals, and dependents of eligible employees and eligible individuals on a voluntary basis by July 1, 2008. The ISDH would be able to establish criteria for participation and limit the number of participating employers or program enrollees. Expenditures for the program and any possible savings for the state would largely be dependent on administrative action and legislative appropriations.

Background Information on the Health Security Program -

The ISDH would be able to establish criteria for participation and limit the number of participating employers or program enrollees in the Health Security Program.

As proposed, the ISDH would be required to: (1) determine services and benefits to be included in the HSP and develop the specifications for the HSP's health coverage; (2) establish administrative and accounting procedures; (3) develop and implement a plan to publicize the existence of the HSP; (4) arrange the provision of program health coverage to eligible individuals and eligible employees through contracts with one or more qualified bidders; (5) develop a high-risk pool for the HSP enrollees; (6) issue requests for proposals from carriers; (7) require the HSP carriers to offer a health benefit plan that meets the HSP requirements; and (8)

make payment to the HSP carriers.

The ISDH would also be required to contract with an eligible business to provide health coverage to eligible employees and their dependents; collect payments for a participating employer and an eligible employee to cover the cost of health coverage; quality assurance, disease prevention, disease management, and cost containment programs; administrative services; and health promotion costs.

The ISDH would establish a minimum contribution level, not to exceed 60%, to be paid by a participating employer toward the participating employer's aggregate payment for coverage or eligible employees who are program enrollees.

The ISDH would be allowed to: (1) enter into contracts with qualified third parties for services; (2) take legal action; (3) establish and administer a revolving loan fund; (4) solicit matching contributions to a revolving loan fund from program carriers; (5) apply for and receive funds, grants, or contracts; (6) conduct studies and analyses; (7) set allowable rates for administration and underwriting gains; (8) arrange for the provision of quality improvement, disease prevention, disease management, and cost containment provisions through contracts; (9) administer continuation benefits for eligible individuals; and (10) administer or contract cafeteria plans for employers and employees that participate in the HSP.

Sliding Scale Subsidies: The ISDH would be required to establish sliding scale subsidies for the purchase of health coverage paid by certain eligible individuals and employees. It would also be required to establish sliding scale subsidies for the purchase of employer-sponsored health coverage. Availability of subsidies is limited by the availability of funds provided by savings-offset payments (See *State Health Commissioner Section*).

Health High-Risk Pool: The ISDH would establish a health high-risk pool for certain program enrollees. In doing so, the ISDH would (1) develop appropriate disease management protocols and procedures for implementing the disease management protocols; and (2) determine the manner in which disease management services must be provided to program enrollees in the high-risk pool.

Auditor of State: The bill requires the Auditor of State to annually audit the program and submit a copy of the audit results to the Legislative Council. Workload for the Auditor of State would increase as a result.

State Health Commissioner: The State Health Commissioner is responsible for annually determining any aggregate measurable cost savings and increasing coverage provided under the Medicaid or Children's Health Insurance Program (CHIP). The Commissioner is responsible for establishing a savings-offset payment. The Commissioner would have the authority to suspend or revoke a carrier's or an employee benefit excess insurance carrier's certificate of authority, or a third-party administrator's license; assess a civil penalty against a carrier, an employee benefit excess insurance carrier, or a third party administrator; and take other enforcement action to collect any unpaid savings-offset payments.

Explanation of State Revenues: See *Explanation of State Expenditures*.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Department of Health; Auditor of State.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Sarah Brooks, 317-232-9559.